

Message Text

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47

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 GSA-01 INT-05 COME-00 TRSE-00

STR-01 L-02 CIAE-00 INR-05 NSAE-00 RSC-01 /033 W

----- 026239

R 111425Z DEC 74

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 1837

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMCONSUL SALVADOR BY POUCH

LIMITED OFFICIAL USE RIO DE JANEIRO 4546

E.O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: QUARTZ CRYSTAL

REF: (A) STATE 264879; (B) RIO 4382

SUMMARY: GOB APPEARS LIKELY TO EXTEND, AND MAY EVEN STIFFEN, CURRENT RESTRICTIVE POLICY ON QUARTZ CRYSTAL EXPORTS. OBJECTIVE IS TO ENCOURAGE LOCAL QUARTZ PROCESSING AND MANUFACTURING INDUSTRY. FIRST GOB-APPROVED COMPANY, XTAL, IS ANXIOUS TO HAVE U.S. PARTICIPATION IN FORM OF KNOW-HOW, EQUIPMENT AND POSSIBLE EQUITY SHAREHOLDING. THIS PARTICIPATION COULD HELP ASSURE A U.S. FIRM A GUARANTEED SUPPLY OF SYNTHETIC QUARTZ CRYSTAL, AND POSSIBLY LASCA, AT A FAVORABLE PRICE. EMBASSY BRASILIA CONCURS THIS MESSAGE. END SUMMARY.

1. CONGEN OFFICER MET DECEMBER 4 WITH ADMIRAL (RET.) AYRES CUNHA DE ANDRADE AND ALFREDO CARLOS ANDRADE (FATHER AND SON, RESPECTIVELY, DIRECTORS OF SPARTACUS REPRESENTACOES LTDA., RUA 7 DE SETEMBRO, 124 - 10TH ANDAR. SPARTACUS IS WELL-KNOWN MANUFACTURERS' AGENT FOR NUMBER OF FOREIGN FIRMS. IT ALSO CONTROLS XTAL LTDA., A RECENTLY FORMED COMPANY WHICH INTENDS TO MANUFACTURE SYNTHETIC QUARTZ CRYSTALS AND OSCILLATORS IN BRAZIL WITHIN A YEAR. (AT PRESENT, THERE IS NO DOMESTIC

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SYNTHETIC CRYSTAL INDUSTRY; RADIO CRYSTAL DO BRASIL AND THE

BRAZILIAN ARMY HAVE SMALL OSCILLATOR PLANTS IN RIO WHICH UTILIZE NATURAL CRYSTALS). AT LATER STAGE, XTAL INTENDS TO BUILD A FUSED QUARTZ PLANT.

2. ACCORDING TO ANDRADES, GOB INTERMINISTERIAL COMMITTEE CHAIRED BY SECRETARY OF TECHNOLOGY BAUTISTA VIDAL (REFTEL B) APPROVED XTAL PROJECT LAST MONTH. FIRM HAS ALREADY PURCHASED LAND IN RIO, HAS CONTRACTED FOR ENGINEERING SERVICES AND EXPECTS TO BEGIN CONSTRUCTION EARLY NEXT YEAR. FIRM HAS ISSUED EIGHT MILLION SHARES VALUED AT ONE CRUZEIRO EACH. (CR\$7.3 EUALS \$US1.) FOUR MILLION PREFERRED NON-VOTING SHARES ARE TO BE PURCHASED BY FIBASE, ASUBSIDIARY OF GOB'S NATIONAL DEVELOPMENT BANK, THE BNDE. OF REMAINING 4 MILLION ORDINARY VOTING SHARES, FIBASE IS TO HOLD 1.2 MILLION, SPARTACUS 2 MILLION, AND OTHER PRIVATE BRAZILIAN INTERESTS 800,000. BNDE IS MAKING A LOAN OF CR\$12 MILLION, RAISING TOTAL INVESTMENT TO CR\$20 MILLION.

3. ANDRADES STATED THAT XTAL HAS FULL SUPPORT OF GOB, AND THAT NEW AND STIFFER POLICY FOR QUARTZ CRYSTAL EXPORTS WILL BE ANNOUNCED WITHIN TWO WEEKS. ANDRADES REVEALED NO DETAILS. THEY DID MENTION, HOWEVER, THAT BECAUSE OF PRESENT QUOTA RESTRICTIONS ON LASCA EXPORTS, CACEX IS HOLDING PERIODIC AUCTIONS, MOST RECENT OF WHICH SAW LASCA SOLD FOR \$4.50-5.00/KG.

4. ANDRADES STATED THAT XTAL IS ANXIOUS TO UTILIZE U.S. KNOW-HOW AND EQUIPMENT IN ITS TWO PLANTS. IN RETURN, THEY ARE PREPARED TO NEGOTIATE PARTICIPATION IN THE FIRM, WHICH COULD INCLUDE, BESIDES SHAREHOLDING, A GUARANTEED SUPPLY OF SYNTHETIC CRYSTALS FROM BRAZILIAN PLANT AND POSSIBLY LASCA. CARLOS ANDRADE RECENTLY VISITED THE U.S. AND CALLED ON 15 FIRMS, INCLUDING CTS AND VOLPE-FISHER. FORMER DECLINED PARTICIPATION BUT SAID IT MIGHT BE INTERESTED IN PURCHASING SYNTHETIC CRYSTALS; LATTER HAS SUBMITTED A TURN-KEY PROPOSAL. ANDRADES STATED THAT GERMAN AND JAPANESE FIRMS ALSO HAVE SUBMITTED PROPOSALS. NATURE AND EXTEND OF POSSIBLE FOREIGN PARTICIPATION IN XTAL IS NOT YET DETERMINED AND WOULD BE SUBJECT TO NEGOTIATION.

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5. ACCORDING ANDRADES, GERMAN FIRM HERAEUS HAS SUBMITTED A PROPOSAL TO GOB FOR BRAZILIAN PLANT TO MANUFACTURE SIMPLE POWDER FROM LASCA; BENEFICIATED LASCA POWDER; AND FUSED QUARTZ. XTAL IS DISCUSSING WITH HERAEUS POSSIBILITY OF A JOINT VENTURE. ANDRADES STATED FURTHER THAT SIMILAR PROPOSAL BY U.S.'S GRADED QUARTZ CRYSTAL (REFTEL B) IS CERTAIN TO BE TURNED DOWN BY GOB ON GROUNDS THAT IT IS ESSENTIALLY A DISGUISED PLAN TO EXPORT LASCA POWDER, WITH

VERY LITTLE FUSED QUARTZ TO BE PRODUCED. ALSO, GRADED QUARTZ' PROPOSAL FOR BRAZIL APPARENTLY DOES NOT CONTEMPLATE LOCAL PARTICIPATION; IN ANY EVENT, XTAL AT THIS POINT IS NOT INTERESTED IN POSSIBLE JOINT VENTURE WITH IT.

6. COMMENT: IT SEEMS CLEAR THAT GOB IS SERIOUS ABOUT PROMOTING ESTABLISHMENT OF QUARTZ CRYSTAL PROCESSING AND MANUFACTURING INDUSTRIES IN BRAZIL. TO ACCOMPLISH THIS, LASCA AND NATURAL QUARTZ CRYSTAL EXPORT RESTRICTION WILL PROBABLY CONTINUE. SINCE BRAZIL CONTROLS VIRTUALLY ALL OF WORLD'S PRODUCTION AND TRADE OF QUARTZ CRYSTAL, GOB APPEARS VERY MUCH IN DRIVER'S SEAT. ANDRADES COMMENTED THAT BRAZIL'S EXPORTS OF QUARTZ CRYSTAL LAST YEAR MAY HAVE BEEN WORTH ONLY TWO MILLION DOLLARS, BUT THEY WERE THE BASIS FOR A FIVE-BILLION-DOLLAR INDUSTRY OUTSIDE OF BRAZIL. BRAZIL NOW DESIRES A LARGE PIECE OF THAT INDUSTRY. IF GOB EXTENDS ITS RESTRICTIVE POLICY PAST CURRENT DEADLINE OF THIS MONTH, AS SEEMS LIKELY, THERE SEEMS LITTLE DOUBT BUT THAT U.S. AND OTHER MANUFACTURERS WHO DEPEND ON BRAZILIAN NATURAL QUARTZ CRYSTAL OR LASCA WILL CONTINUE TO BE SERIOUSLY AFFECTED. IT WOULD SEEM, THEREFORE, THAT IF U.S. FIRMS WANT TO ASSURE A CONTINUED SUPPLY OF MATERIALS FROM BRAZIL AND, AT THE SAME TIME, WANT TO PARTICIPATE IN BRAZIL'S NEW QUARTZ CRYSTAL MANUFACTURING INDUSTRY, THEY SHOULD CONTACT XTAL SOONEST. COMMERCE MAY WISH TO ADVISE INTERESTED U.S. COMPANIES OF THE ABOVE
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CRYSTALS, EXPORT QUOTAS, EXPORT PRICES, QUARTZ
Control Number: n/a
Copy: SINGLE
Draft Date: 11 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974RIODE04546
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740360-0052
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741243/aaaabkyf.tel
Line Count: 142
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 STATE 264879, 74 RIO 4382
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by elyme>; APPROVED <18 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: QUARTZ CRYSTAL
TAGS: ETRD, EMIN, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005